

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency

P.O. Box 2415

Washington, DC 20013-2415

Notice FC-39

1941-B, 1943-A,
1945-D, and 1980-B

For: State and County Offices

**Federal Agriculture Improvement and Reform Act (1996 Farm Bill)
Provisions Affecting Requirement for CAT Coverage**

Approved by: Deputy Administrator, Farm Credit Programs

Sau Anne Kling

1 Overview

A

Background

The 1996 Farm Bill included an option for loan applicants to waive eligibility for emergency crop loss assistance (not including EM loans) instead of obtaining the otherwise required catastrophic level of crop insurance coverage.

B

Purpose

This notice provides guidance on implementing the benefits waiver option authorized by the 1996 Farm Bill and removes requirements in FmHA Instructions 1945.167(a) and 1945.169(l).

2 Action

A

**Continued
Requirement for
CAT**

The requirement for FO, OL, or EM loan applicants to obtain at least the catastrophic level of crop insurance coverage was mandated by the Federal Crop Insurance Reform Act of 1994 and remains in effect.

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Disposal Date

October 1, 1996

Distribution

State Offices; State Offices relay to County
Offices, Ag Credit Teams, and COR's

4-11-96

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2 Action (Continued)

B

Waiver Provision

The 1996 Farm Bill offers the applicant the option of waiving their eligibility for emergency loss assistance instead of obtaining CAT coverage required to meet program requirements. Emergency loss assistance does not include EM loans. This option is effective beginning with 1996 fall-planted crops (those planted fall 1995 to be harvested in 1996).

The waiver **does not affect** the applicant's eligibility for **future FO, OL, or EM** loans.

C

Crop Insurance as a Loan Requirement

EM Loans: FmHA Instructions 1945.167(a), which requires crop insurance the previous year, and 1945.169(l), which requires crop insurance in future years, are no longer applicable. However, if the applicant obtains crop insurance coverage, paragraphs 1945.169(l)(2) and (4) still apply.

OL and FO Loans: See FmHA Instructions 1941.88(a), 1943.24(d), and 1980.108(a)(3)(iii) for further guidance on crop insurance as a loan condition.

The option for a producer to waive their eligibility for emergency loss assistance instead of obtaining crop insurance, does not mean that crop insurance, CAT, or buy-up cannot be made a loan condition when the applicant's cash flow or security indicates a need for such coverage. This requirement for insurance coverage is a credit decision to be applied on a case-by-case basis and is different from the mandatory CAT coverage simply to be eligible for loan programs.

Farm Credit Program borrowers are not able to obtain credit from commercial sources without a guarantee. Therefore, their loans are riskier for the borrowers and the lender (FSA or guaranteed lender). Supervised credit is an important part of administering credit to these borrowers, which should include encouraging borrowers to make sound financial decisions. Since there is no disaster assistance available to producers other than crop insurance payments for most crops, it is critical that they consider obtaining insurance coverage for their crops. Not only CAT coverage, but the buy-up options should be considered. This may ensure at least a minimum level of income for the borrower and some repayment for the lender.

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2 Action (Continued)

D

Documentation

FSA-570 in Exhibit 1 will be used to document the applicant's waiver of eligibility for any emergency crop loss assistance, which would result from loss of the uninsured crop.

IF the applicant originates the waiver with the ...	THEN...
Farm Programs staff	obtain a copy of FSA-570 and place it in the applicant's loan file.
Farm Credit staff	<ul style="list-style-type: none">• keep the original FSA-570 in the applicant's file• give a copy of FSA-570 to the applicant.

When CAT coverage is required, it will be documented by inserting the following statement in the appropriate form:

- direct loans - item 44, Form FmHA 1940-1.
- guaranteed loans - item 4, Form FmHA 1980-15.

"The applicant will obtain at least catastrophic risk protection insurance coverage or sign a benefits waiver for each of their economically significant crops, for which coverage is offered by FCIC."

- **Note:** See 1-RM for the definition of economically significant crops and other specific information on CAT coverage.

E

Contact

Direct questions regarding this notice to Karen Eifert or LMD, through the Area Office.

FSA-570, Waiver of Eligibility for Emergency Assistance

FSA-570
(04-11-96)**U.S. DEPARTMENT OF AGRICULTURE**
Farm Service Agency**WAIVER OF ELIGIBILITY FOR EMERGENCY ASSISTANCE**

In accordance with section 508(b)(7)(A) of the Federal Crop Insurance Act, as amended, regarding eligibility for Department programs, **I hereby waive my eligibility to receive any emergency crop loss assistance from the United States Department of Agriculture for any of my crops for which insurance is available, and I have elected not to insure,** under the Federal crop insurance program. This waiver shall remain in effect until the earlier of (1) the crop year following revocation in writing by me or (2) cancellation by the Department. Nothing contained herein affects my eligibility for emergency loans under section 371 of the Consolidated Farm and Rural Development Act.

Producer name: _____

Producer signature: _____

Date: _____

Social Security number (or
other program identifier): _____
